



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

Refer to
Legislative Secretary

AUG 14 1997

The Honorable Antonio R. Unpingco
Speaker
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Agana, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By <u>Asst. Sec.</u>	Received
Time <u>2:55pm</u>	Time
Date <u>8-14-97</u>	Date

Dear Speaker Unpingco:

Enclosed please find a copy of Bill No. 308 (COR), "AN ACT TO AMEND ITEM (r) OF SECTION 44 OF PUBLIC LAW NO. 24-14, RELATIVE TO APPROVAL PROCESS OF THE TWENTY-SEVEN MILLION DOLLAR (\$27,000,000.00) LOAN TO THE HOSPITAL", which I have signed into law today as Public Law No. 24-58.

We will be transmitting the interest rate for the consideration of the Legislature, as required in this legislation. If the Legislature fails to act on disapproving the interest rate during its September session, all of the terms and conditons of the loan as negotiated shall be deemed approved.

Very truly yours,

Carl T. C. Gutierrez

Attachment

cc: The Honorable Joanne M. S. Brown
Legislative Secretary


00365

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 8/14/97
Time: 1:45pm
Rec'd by: [Signature]
Print Name: Jant...


TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Bill No. 308 (COR), "AN ACT TO AMEND ITEM (r) OF SECTION 44 OF PUBLIC LAW NO. 24-14, RELATIVE TO APPROVAL PROCESS OF THE TWENTY-SEVEN MILLION DOLLAR (\$27,000,000.00) LOAN TO THE HOSPITAL," was on the 1st day of August, 1997, duly and regularly passed.


ANTONIO R. UNPINGCO
Speaker

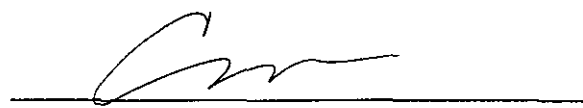
Attested:


JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by the Governor this 5th day of August, 1997, at
12:37 o'clock P.M.


Assistant Staff Officer
Governor's Office

APPROVED:


CARL T. C. GUTIERREZ
Governor of Guam

Date: 8-14-97

Public Law No. 24-58

**TWENTY-FOURTH GUAM LEGISLATURE
1997 (FIRST) Regular Session**

Bill No. 308 (COR)

As amended on the Floor.

Introduced by:

E.J. Cruz
J. C. Salas
L. F. Kasperbauer
T. C. Ada
F. B. Aguon, Jr.
E. Barrett-Anderson
A. C. Blaz
J. M.S. Brown
Felix P. Camacho
Francisco P. Camacho
M. C. Charfauros
W. B.S.M. Flores
Mark Forbes
A. C. Lamorena, V
C. A. Leon Guerrero
L. Leon Guerrero
V. C. Pangelinan
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. Won Pat-Borja

**AN ACT TO AMEND ITEM (r) OF SECTION 44 OF
PUBLIC LAW NO. 24-14, RELATIVE TO
APPROVAL PROCESS OF THE TWENTY-SEVEN
MILLION DOLLAR (\$27,000,000.00) LOAN TO THE
HOSPITAL.**

1 funding of the Guam Memorial Hospital long-term care facility in
2 Barrigada Heights;

3 (2) No charge shall be levied by a lender for making the
4 loan;

5 (3) The interest rate shall be subjected to negotiation
6 between the Authority, the Governor and the lender. Such
7 interest rate shall be computed on a monthly average and based
8 on the actual amount extended to the Authority; and,

9 (4) Interest earned by the lender shall be exempt from
10 taxation by the government of Guam.

11 The Governor is authorized to pledge the General Fund as a security for
12 repayment of the loan, in addition to any revenues which may be pledged by
13 the Authority.

14 The loan agreement shall be transmitted to the Legislative Secretary.
15 The Legislature has until the next regularly called session in September to act
16 on the loan, otherwise the Governor of Guam is hereby authorized to execute
17 the loan agreement and other necessary documentation."



Office of the Speaker

Senator Antonio R. Unpingco
Speaker

155 Hesler Street, Agana, Guam 96910
Phones : (671) 472- 3455 / 56 / 57 • Fax : (671) 472-3400

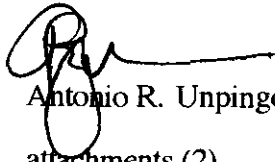
August 14, 1997

MEMORANDUM

TO: Legislative Secretary
FROM: Speaker
SUBJECT: Transmittal of Public Law and Veto Bill

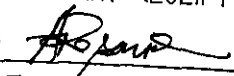
I am referring to you the following Public Law and Veto Bill transmitted to my office from the Governor:

- **Public Law No. 24-58:** AN ACT TO AMEND ITEM (r) OF SECTION 44 OF PUBLIC LAW NO. 24-14, RELATIVE TO APPROVAL PROCESS OF THE TWENTY-SEVEN MILLION DOLLAR (\$27,000,000.00) LOAN TO THE HOSPITAL.
- **Bill No. 332 (COR) VETO:** AN ACT TO APPROPRIATE THIRTEEN MILLION DOLLARS (\$13,000,000.00) FROM THE GENERAL FUND'S FIVE (5%) RESERVE FOR FISCAL YEAR 1998 AND THREE MILLION DOLLARS (\$3,000,000.00) FROM THE TOURIST ATTRACTION FUND FOR THE IMMEDIATE PLANNING, DESIGN, DEVELOPMENT AND CONSTRUCTION OF A NEW LANDFILL AND THE CLOSURE OF THE ORDOT LANDFILL; TO APPROVE GUAM'S SOLID WASTE DISPOSAL RULES AND REGULATIONS; TO LIMIT THE GOVERNOR'S TRANSFER AUTHORITY; AND TO AMEND SUBSECTION (c) OF SECTION 6 OF PUBLIC LAW NO. 23-14, RELATIVE TO AMENDING THE BUDGETARY CAP.

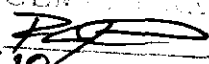

Antonio R. Unpingco
attachments (2)

crd

Clerk of the Legislature

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	
Time	2:55 pm
Date	8-14-97

ACKNOWLEDGEMENT RECEIPT

Received by: 

Time: 3:20 pm

Date: 8/14/97

Doc. 00365

DL 24-58



TWENTY-FOURTH GUAM LEGISLATURE

Office of the Vice-Speaker

ANTHONY C. BLAZ

August 1, 1997



**LEGISLATIVE
COMMITTEE
MEMBERSHIP**

Chairman
Finance & Taxation

Vice-Chairman
Rules,
Government Reform
& Federal Affairs

Education

Natural Resources

Health &
Human Services

Tourism, Economic
Development & Cultural
Affairs

Judiciary,
Public Safety &
Consumer Protection

Transportation,
Telecommunications, &
Micronesian Affairs

MEMBERSHIP

Guam Finance
Commission

Commission on Self
Determination

The Honorable Speaker Antonio R. Unpingco
24th Guam Legislature
155 Hesler Street
Agana, Guam 96910

VIA: Chairman, Committee on Rules

Dear Mr. Speaker:

The Committee on Finance and Taxation, to which was referred Bill No. 308: "AN ACT TO AMEND SUBSECTION (r) OF SECTION 44 OF PUBLIC LAW 24-14 RELATIVE TO APPROVAL PROCESS OF THE TWENTY SEVEN MILLION DOLLARS (\$27,000,000.00) LOAN OF THE HOSPITAL," and subsequently substituted by the Committee on Finance & Taxation, reports to the Legislature with the recommendation **TO DO PASS.**

Votes of the committee members are as follows:

To Pass

Not To Pass

To Place in Inactive File

Abstained

Off-Island

Not Available

Sincerely,


Anthony C. Blaz

Enclosure

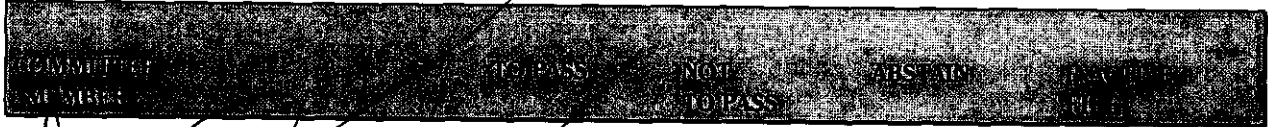
Committee on Finance and Taxation


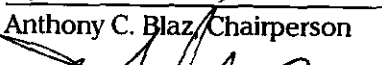
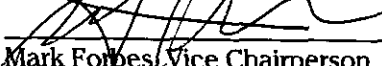
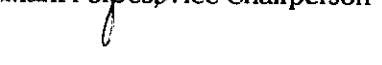


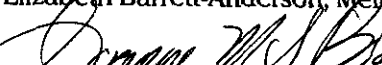
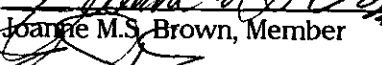
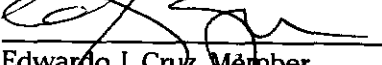
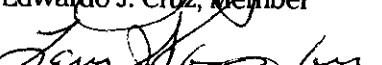
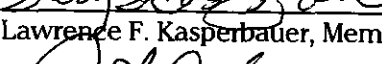
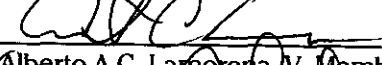
Voting Sheet on

Bill No. 308

as substituted by the Committee on Finance & Taxation

AN ACT TO AMEND SUBSECTION (r) OF SECTION 44 OF PUBLIC LAW 24-14 RELATIVE TO APPROVAL PROCESS OF THE TWENTY SEVEN MILLION DOLLARS (\$27,000,000.00) LOAN OF THE HOSPITAL.



COMMITTEE MEMBER	TO PASS	NOT TO PASS	ABSTAIN	RECALL
 Anthony C. Blaz, Chairperson	✓			
 Mark Forbes, Vice Chairperson	✓			
Antonio R. Unpingco, Ex-Officio				
 Elizabeth Barrett-Anderson, Member	✓			
 Joanne M.S. Brown, Member	✓			
 Edwardo J. Cruz, Member	✓			
 Lawrence F. Kasperbauer, Member	X			
 Alberto A.C. Lamorena, V, Member				
 Carlotta A. Leon Guerrero, Member	✓			
 John C. Salas, Member	✓			
 Thomas C. Ada, Member	✓			
 Mark C. Charfauros, Member	✓			
 William B.S.M. Flores, Member	✓			
Francis E. Santos, Member				

Committee on Finance and Taxation
Report on
Substitute Bill No. 308

AN ACT TO AMEND SUBSECTION (r) OF SECTION
44 OF PUBLIC LAW 24-14, RELATIVE TO
APPROVAL PROCESS OF THE TWENTY-SEVEN
MILLION DOLLARS (\$27,000,000.00) LOAN OF THE
HOSPITAL. [Attachment 1]

Introduced by
Senators E. J. Cruz and J. C. Salas

PUBLIC HEARING:

The Committee on Finance and Taxation conducted a public hearing on Tuesday, July 22, 1997, at 9:10 a.m., to hear testimonies on Bill No. 308, "AN ACT TO AMEND SUBSECTION (R) OF SECTION 44 OF PUBLIC LAW 24-14, RELATIVE TO APPROVAL PROCESS OF THE TWENTY-SEVEN MILLION DOLLARS (\$27,000,000.00) LOAN OF THE HOSPITAL." The public hearing was held in the Legislature Public Hearing Room. [Attachment 2]

MEMBERS PRESENT:

The hearing was called to order by the Chairperson of the Committee on Finance and Taxation, Senator Anthony C. Blaz. Committee and other members present were: Senators Joanne M.S. Brown, Tom C. Ada, Francis E. Santos, Frank B. Aguon Jr., Lou Leon Guerrero, and Vicente C. Pangelinan.

TESTIMONY:

Appearing before the Committee was Tyrone J. Taitano, Administrator, Guam Memorial Hospital Authority. [Attachment 3] Mr. Taitano testified that GMHA supports the purpose and intent of Bill No. 308 which calls for the approval of the \$27 Million Loan for the Hospital. Mr. Taitano went on to say that the terms of the Loan Agreement are detailed in the Governor's transmittal to the Legislature dated July 8, 1997. [Attachment 4]

According to Mr. Taitano, "The Debt Service Requirements," called under the terms of the Loan Agreement, can be sustained by the Hospital. Mr. Taitano acquiesced that the Hospital's revenues should be more than sufficient to ensure that there existing debt obligations are met. Mr. Taitano related the Hospital's experience with respect to its \$3 Million line of credit. He further went on and expressed to the Committee Members, that the Hospital has demonstrated the ability to sustain this burden in the past, it is therefore, reasonable to conclude that the Hospital can sustain its financial obligation in the future.

At this time, the Chairperson noted that Mr. Michael J. Reidy, Acting Director, Department of Administration was present and had submitted his written testimony for the record. [Attachment 5]

There being no further witnesses, the Chairperson called on the Committee Members to query Mr. Taitano. At this time, Senator Tom Ada questioned the Hospital Administrator on the utilization of the funds.

Mr. Taitano responded by saying that the proceeds of the loan would not be applied to any additional spending but rather what it will do is allow the Hospital to open up the Medical Supply Vendor and allow that burden to be removed from the Hospital so that it can use its own resources and working capital to acquire additional pharmaceutical items. The loan proceeds, according to Mr. Taitano, would strictly be applied on paying outstanding obligations.

At this time, Senator Ada questioned how parts of the loan proceeds would go towards paying government departments and agencies. Chairperson Blaz interjected at this time saying that the payment plan to the government departments and agencies is attached to the Loan Agreement package.

Responding to Senator Ada, Mr. Taitano stated that the payment scheduled prioritizes payment to the various government departments and agencies. He went on to say that generally the way the loan is structured is the draw down of the \$20 Million would be within 60 days; and an option to draw down the remaining \$7 Million at a time later to be determined. He

continued to say that a provision for drawing down the funds, if there is an eminent need of a cash shortage, is contained in the Loan Agreement.

At this time the Chairperson recognized Senator Lou Leon Guerrero. The Senator stated that the legislation amends the Budget Act by removing the Legislature's approval powers on the Loan Agreement. She then suggested to the Chairperson that rather than discuss Bill No. 308, the Committee should seriously discuss the Loan Agreement as transmitted to the Legislature by the Governor.

Mr. Taitano interjected by stating his willingness to work with the Legislature and agreeing upon a specific language for approving the Loan Agreement. He further stated that he has no objections to specific language in approving the Loan Agreement package.

Senator Leon Guerrero concluded by stating that she would rather work towards assuring that the terms and conditions of the Loan Agreement comply pursuant to the public laws.

At this time Senator Francis Santos asked Mr. Taitano for the property description which is to be mortgaged. Mr. Taitano responded by saying that the Hospital's property would be mortgaged. He went on to say that he does not have the true specifications and valuation of the property to be mortgaged, however, if needed, those documents could be made available. The assignment order according to Mr. Taitano, would be the Health Insurance Revenues that would go into a Trust Account, followed by Section 30 Funds, the Mortgage.

Continuing, Mr. Taitano stated that the Hospital, already, (as of today July 22, 1997), has signed an agreement with FHP, and expect to sign another before the end of the month. Agreements with the other Health Insurance Carriers are still on going, and they have also expressed their intentions within the coming months. This payment pattern, according to Mr. Taitano, is similar to the \$3 Million Line of Credit which was granted to the Hospital earlier.

At this time the Chairperson called on Senator Vicente Pangelinan. At the outset, the Senator expressed his concerns regarding the current payment

agreement, questioning why the Hospital would want to pledge the funds and loose control in its ability to manage the cash. According to Mr. Taitano, a system has been established with the Bank of Guam. Sharing this payment system, Mr. Taitano went on to say, a check is payable to both the Bank of Guam and the Hospital as Trustees, and is administered like the Section 30 Funds. Mr. Taitano also pointed out that the turn around time is very short.

At this juncture, Mr. Taitano informed the Committee that notwithstanding the Hospital's efforts to solicit the best proposal, there was only one bidder. This is the best agreement that the Hospital can secure at this point in time. Given the terms and conditions, Mr. Taitano apprised the Committee that his only role was to negotiate the Loan Agreement based on the authority vested to him by the what the Legislature, Mr. Taitano re-emphasized his willingness to work with the Legislature in bettering the terms and conditions set into the loan agreement.

Expressing his concern, Senator Pangelinan stated a need to re-examine some of the terms, exist. The Hospital must be in a better position and obtain an adequately fair Loan Agreement package. Mr. Taitano agreed with the Senator echoing the same sentiments.

There being no further witnesses, the Chairperson adjourned the Committee hearing on Bill No. 308.

FINDINGS:

The proposed loan has very severe conditions attached to it that is not warranted by the current financial condition of the Territory of Guam.

1. The loan proposal names both the Guam Memorial Hospital Authority and the Government of Guam as borrowers on this loan. Thus all conditions in the term sheet applies to both groups unless specified otherwise.

2. The true credit for the loan is the revenue stream of Section 30 money. This stream of revenue has been used several times in the past. In all the cases no reserve fund has been required but Bank of Guam requires three months worth of debt service (\$876,789) as a reserve fund. The current true return to the Bank based on its debt service schedule and with reserve is 8.66%

3. The revenue coverage on previous bonds using Section 30 money was 1.25 on the 1986 Bonds, a coverage, in projections only, for new bond issues on parity with the 1989 bonds, and no coverage on the 1994 bonds. Bank of Guam however requires a 2.5 to 1 coverage on not only debt service but on the reserve fund which it holds. This is a coverage of \$10,959,862 or 3.125 to 1.

4. Page 5 Item B allows the Bank to hold the coverage amount until "certification that the prior year's obligations of GMH have been met." It is not clear that this just means debt service and not all GMH obligations.

5. The Bank of Guam also wants a mortgage on the property of the Guam Memorial Hospital. Is it the Bank's intent to close the only hospital facility in the Territory if the Government or GMH is in any violation of the loan covenants? If this is not the case why is a mortgage required? GTA is the only government agency that has its property mortgaged and this only because it borrows from REA.

6. Page 6 item F. requires the Government to compensate the Bank of Guam for any change in the effective yield to them from this loan. It cover any changes even those that are not something the Government of Guam has control over, such as U. S. tax rates. This is unusual since the Government is being required to compensate for event not of their doing or control.

7. The Bank of Guam includes extremely broad language on the bottom of page 6:

"H. In the event that prior to closing or loan disbursement hereunder lender determines that any information given to Lenders in connection with Borrower's application for this loan or in consideration of this loan and issuance of this commitment, whether concerning the Borrower, its financial condition, property, the Government of Guam, or property to be pledged hereunder is untrue in any material respect, or that there has been any material adverse change with respect to any of the foregoing, or law applicable to the Borrower or the collateral Lender reserves the right to cancel this commitment.

In the term of this loan the Lender shall conduct periodic reviews of this loan, on an annual basis, or more frequent basis if Lender deems appropriate, and of the business and operations of the Borrower, its financial condition,

and other matters pertaining to the loan and security of the loan. In the event Lender determines that there has been a material adverse change in Borrower's financial condition, the value or condition of any collateral for the loan or that Borrower has failed to make satisfactory improvements in its financial condition, that there has occurred any default hereunder or under any other agreement or contract to which Borrower is a party, that there has been any material adverse change in law applicable to the Borrower or collateral or for any other reason Lender deems itself insecure, Lender shall be entitled to accelerate all sums outstanding hereunder, and declare the same immediately due and payable.

This language allows the Bank of Guam to call the loan at any time and for any reason whether material to the loan or not.

8. The actual need of the Hospital to outside vendors is based in its schedule of disbursements is \$ 4,852,020. The balance of the funds are amounts owed to the Government. Essentially money we owe to ourselves. It is interesting to note that the actually loan proposal was submitted long after it was established that the bank of Guam was the sole respondent to their RFP.

RECOMMENDATION:

The Committee, having reviewed the testimonies presented at the hearing, does hereby recommend to the Guam Legislature that **Bill 308, "AN ACT TO AMEND SUBSECTION (r) OF SECTION 44 OF PUBLIC LAW 24-14, RELATIVE TO APPROVAL PROCESS OF THE TWENTY-SEVEN MILLION DOLLARS (\$27,000,000.00) LOAN OF THE HOSPITAL," to do pass.**

IRR

		12	8.00%	8.00%	8.66%
			0.66667%	0.66667%	0.72140%
		\$	(20,000,000.00)	\$ (7,000,000.00)	\$ (26,123,211.00)
months		1 \$	216,491.00	\$ 75,772.00	\$ 292,263.00
		2 \$	216,491.00	\$ 75,772.00	\$ 292,263.00
Reserve	\$ 876,789.00	3 \$	216,491.00	\$ 75,772.00	\$ 292,263.00
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		51 \$	216,491.00	\$ 75,772.00	\$ 292,263.00
		52 \$	216,491.00	\$ 75,772.00	\$ 292,263.00
		53 \$	216,491.00	\$ 75,772.00	\$ 292,263.00

reserve

Reserves			
1	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
2	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
3	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
			<u>\$ 876,789.00</u>

coverage

Debt Service	1	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	2	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	3	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	4	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	5	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	6	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	7	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	8	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	9	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	10	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	11	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
	12	\$ 216,491.00	\$ 75,772.00	\$ 292,263.00
				<u>\$ 3,507,156.00</u>
Reserve				<u>\$ 876,789.00</u>
			Total	<u>\$ 4,383,945.00</u>
Coverage Rate				2.5
Coverage on Section 30				\$10,959,862.50

COMMITTEE ON FINANCE & TAXATION
Vice Speaker Anthony C. Blaz, Chairman, Twenty-Fourth Guam Legislature
Public Hearing Room

AGENDA
FY'98 BUDGET OVERSIGHT HEARING SCHEDULE

TUESDAY, JULY 22, 1997
9:00 A.M.

Bill No. 308(COR) (E.J. Cruz, J.C. Salas)

AN ACT TO AMEND ITEM (r) OF SECTION 44 OF PUBLIC LAW 24-14 RELATIVE TO APPROVAL PROCESS OF THE \$27 MILLION LOAN OF THE HOSPITAL.

- GUAM WATERWORKS
- DEPARTMENT OF PARKS & RECREATION
- PUBLIC AUDITOR
- DEPARTMENT OF ADMINISTRATION
- OFFICE OF THE GOVERNOR

19-47



Guam Memorial Hospital Authority Aturidåt Espetåt Mimuriåt Guåhan



850 GOV. CARLOS CAMACHO ROAD
OKA, TAMUNING, GUAM 96911
TEL: 647-2444 or 647-2330
FAX: (671) 649-0145

July 22, 1997

Senator Tony Blaz
Chairman
Committee on Finance & Taxation
24th Guam Legislature
155 Hesler St.
Agana, Guam 96910

Dear Mr. Chairman,

I am pleased today to testify in support of Bill No. 308 which calls for the approval of the \$27 million in financing for GMH authorized by Public Law 24-14. As provided by the statute, the proceeds of this loan would be applied to GMHA's outstanding obligations including medical supply vendors payment, Retirement Fund payments, and to refinance existing debt obligations. The terms of the loan agreement are detailed in the Governor's transmittal dated July 8, 1997.

Given the ongoing reforms instituted by GMHA to improve its revenue base and its cost structure, I believe that the debt service requirements called for under the terms of the loan agreement can be sustained by the Hospital. Although the loan is secured by additional measures, including Section 30 revenues and a mortgage, I am confident that Hospital revenues should be more than sufficient to ensure that the debt obligations are met. Supporting this assessment is GMHA's own experience with respect to its current \$3 million line of credit. The outstanding balance for this line of credit will be refinanced with the proceeds of the new loan. When this occurs, the debt service on the new loan will be roughly equivalent to that which we bear under the current line of credit. In essence, we will see a substitution in our monthly debt service requirements without a hugely significant change in the amount. Since GMHA has already demonstrated its ability to sustain this burden in the past, it is reasonable to conclude that it is able to meet this obligation in the future.



COMMONWEALTH NOW!

To begin with, this will enable GMHA to transform it's current liabilities to a more managable level. Presently, these obligations are immediately due and it is beyond GMHA's ability to produce the cash to immediately meet them. The crushing burden of these immediate liabilities makes it impossible for the Authority to stabilize it's finances and secure the resources necessary to improve the Hospital's health care operations. By financing these liabilities over the 12 year term prescribed by the loan agreement, GMHA will have the breathing room and working capital it needs to place the Hospital on the road to stability and progress as an institution.

The financing will also enable GMHA to re-open it's access to medical supply vendors who are presently closed to us because of the Authority's poor record of paying it's outstanding bills. Opening up these vendors will make it possible for the Authority to rectify the chronic supply shortages which the Hospital has been experiencing.

In this regard, with the acquisition of this financing, GMHA will also be able to establish the so-called "pharmacy of last resort" within 60 days. GMHA will be in a position to fully stock our pharmacy on an ongoing basis. By utilizing existing sharing arrangements with local pharmacies, we can address island-wide shortages in pharmaceuticals which have recently occurred in our community.

Mr. Chairman, I do not claim that the \$27 million in financing authorized by the Legislature is the ultimate solution to GMHA's financial woes. It is however, a necessary first step in solving the Hospital's financial deficiencies which have built up over many years. It will give us the chance to place this institution on a stable footing and to move ahead in providing an improved quality of health care at GMH. I therefore urge the Legislature's expeditious approval of this measure.

Sincerely,


TYRONE J. TAITANO

24th Guam Legislature
Committee on Rules, Government
Reform and Federal Affairs
Senator Mark Forbes, Chairman



JUL 14 1997

MEMORANDUM

TO: Chairman
Committee on Finance and Taxation

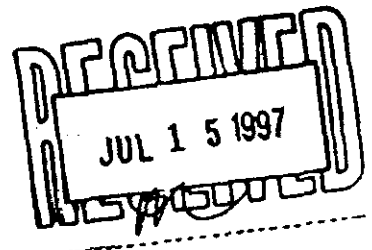
FROM: Chairman *X*
Committee on Rules, Government Reform and Federal Affairs

SUBJECT: Messages and Communications- Referral of

The following is forwarded for your information and appropriate action:

1. Governor's message transmitting a copy of the terms negotiated for the \$27 million in financing to stabilize the finances of the Guam Memorial Hospital Authority, pursuant to Public Law 24-14.

MARK FORBES



Attachment



OFFICE OF THE GOVERNOR
TERRITORY OF GUAM

Refer to
Legislative Secretary

JUL 08 1997

Hon. Antonio R. Unpingco
Speaker
24th Guam Legislature
155 Hesler St.
Agana, Guam

OFFICE OF THE LEGISLATIVE SECRETARY	
ACKNOWLEDGMENT RECEIPT	
Received By	<u>[Signature]</u>
Time	<u>12:45pm</u>
Date	<u>July 9, 1997</u>

Dear Mr. Speaker:

As provided for by Public law 24-14, I am hereby transmitting the terms negotiated for the \$27 million in financing to stabilize the finances of the Guam Memorial Hospital Authority. Inasmuch as the statute provides for legislative approval of the terms of the loan, I urge both you and your colleagues to proceed expeditiously in acting on this matter.

Yours very truly,

[Signature]
Carl T.C. Gutierrez

enclosure

30322

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 7/8/97
Time: 10:50
Rec'd by: [Signature]
Print Name: [Signature]

WILLIAM D. LEON GUERRERO
Executive Vice President/
Chief Operating Officer

Bank of Guam

"The People's Bank"

MEMBER OF THE FEDERAL
DEPOSIT INSURANCE CORP.

P.O. Box 5W
Agaña, Guam 96932
Tel: (671) 472-5271/3/5
Fax: (671) 477-8667



June 30, 1997

Q. N. J.
to 7-2-97

Mr. Tyrone J. Taitano
Administrator
GUAM MEMORIAL HOSPITAL AUTHORITY
850 Governor Carlos G. Camacho Road
Tamuning, Guam 96911

Dear Mr. Taitano:

Thank you for providing the Bank of Guam with the opportunity to review the proposal for a Twenty-Seven Million Dollars (\$27,000,000.00) loan for the Guam Memorial Hospital Authority. We are prepared to accommodate the borrowing, subject to the following terms and conditions:

BORROWER	:	Guam Memorial Hospital Authority (GMHA) & Government of Guam
LENDERS	:	Bank of Guam in syndication with other banks to be determined.
AMOUNT	:	\$27,000,000.00 term loan. Bank of Guam's proposal is contingent upon the Lender's ability to obtain firm commitments from other interested lending institutions to participate in the loan syndication, with participation by Bank of Guam as Lead Bank to the extent of \$15,000,000.00 and the excess of such amount to be committed by other lending institutions. In the event Bank of Guam is unable to obtain commitment from other qualified lending institutions for such excess amount, Bank of Guam shall continue its commitment of \$15,000,000.00
PURPOSE	:	The loan funds will be utilized: (a) to purchase medical and pharmaceutical equipment supplies; (b) to repay outstanding obligations to trade vendors and other parties; (c) to meet working capital needs and (d) to repay obligation to various Government of Guam agencies.

The loan shall not be used to finance capital improvements or non-health care professionals except for funding of the Guam Memorial Hospital long-term care facility in Barrigada Heights.

Borrower shall prior to disbursement submit schedules of proposed equipment and pharmaceutical purchases, and obligations to be paid with proceeds of the loan, and specific working capital needs to be met with the loan funds as per the attached disbursement schedules.

INTEREST RATE : A variable rate equivalent to the Bank of Guam Reference Rate less 50 basis points (one half percentage point per annum). The effective rate of interest will be adjusted monthly on the first day of each calendar month to reflect the reference rate of Bank of Guam then in effect

TERM : Twelve (12) year amortization and maturity.

REPAYMENT : Tranche No. 1: Loan repayment in monthly installments on the first day of each calendar month in the amount of \$216,491.00 for principal and accrued interest. On an annual basis the Bank will review the installment amount and adjust the payments to insure that the loan will amortize over the remaining period.

Tranche No. 2: Loan repayment in monthly installments on the first day of each calendar month in the amount of \$75,772.00 for principal and accrued interest. On an annual basis, the Bank will review the installment amount and adjust the payments to insure that the loan will amortize over the remaining period.

DRAWDOWN : \$27,000,000.00 term loan to be disbursed in two (2) tranches as described below:

Tranche No. 1 shall be in the amount of \$20.0 million and shall be disbursed within sixty (60) days after acceptance of the commitment letter.

Tranche No. 2 shall be in the amount of \$7.0 million and shall be disbursed by Bank in accordance with Guam Memorial Hospital Authority disbursement request.

Funds are not extended on a revolving basis.

SECURITY : A. Pledge and Assignment of revenues, receivables and contract rights now outstanding and hereafter becoming due from health insurance companies doing business on Guam, with respect to services furnished to or for the account of such companies or

their insured including without limitation the following companies:

FHP, Inc.
GMHP Associates
Staywell, Inc.
HML, Inc.
Multicover

The Pledge shall be structured on a notification basis, such that Notice of the Pledge and Assignment shall be given to the payers, and the payers shall be directed to make payment of pledged revenues, receivables and contract rights by check payable to Bank of Guam as Trustee for GMH, and delivered to Guam Memorial Hospital Authority. Such funds shall be deposited to a trust account in the name of GMHA maintained by the Bank of Guam, such account shall be pledged to Lender. A reserved amount (the Reserve Amount) shall be maintained in the trust account which shall be not less at any time than three (3) months estimated payments of principal and interest upon the loan.

Funds maintained shall be utilized to meet debt service requirements hereunder, to maintain the Reserve Amount, and provided that there is no default hereunder the balance to be disbursed at Borrower's discretion.

- B. Pledge and Assignment by the Government of Guam, subject to pre-existing prior pledges of Section 30 funds. At present, the Bank of Guam Trust Department acts as Trustee or Depository for payments made by the United States Government of Section 30 funds, which on deposit are disbursed directly to meet obligations for which pledged. Similar arrangements will protect the pledge hereunder. In each fiscal year during the term of this loan, budgeted and received Section 30 funds available for application to obligations secured by the Pledge hereunder after satisfying prior Pledges shall amount to at least two and one half times the annual debt service and reserve requirements.

Upon remittance of Section 30 to the Trustees, the balance available after satisfying prior Pledges will be disbursed upon certification that the prior year's obligations of GMHA have been met.

- C. First Mortgage upon the real and personal property known as the Guam Memorial Hospital, including land, buildings, improvements, facilities, fixtures and equipment. Mortgage shall be in form and content acceptable to Lender. Borrower shall furnish to Lender evidence satisfactory to Lenders as to title to the mortgages property, joinder of all record title holders in the mortgage, and of authority of the Borrower, title holders and the Government of Guam to mortgage and hypothecate such property. Borrower shall furnish Lenders title insurance in the amount of the loan.
- D. Full faith and credit of the Government of Guam.

**OTHER WARRANTIES
AND CONDITIONS TO
LENDING**

Prior to disbursement of any funds hereunder, the Lender shall be furnished with the following:

- A. Opinion of the Borrower's legal counsel in form and content satisfactory to Lender and its counsel as to the binding effect and enforceability of the loan and related documents upon the Borrower, including but not limited to the Mortgage and ability of the Mortgagor to grant the Mortgage.
- B. Opinion of the Attorney General of Guam in form and content satisfactory to Lender and its counsel as to the enforceability and binding effect of the loan and related documents upon the Borrower, including but not limited to the Mortgage and ability of the Mortgagor to grant the Mortgage.
- C. Certification of the Attorney General of Guam and of such officials of the Government of Guam as the Lender may require to the effect that the loan is not violation of the debt limitation provided in 48 U.S. Code Section 1423(a).
- D. Revenue ruling or other confirmation in form and content satisfactory to the Lender from the Department of Revenue and Taxation confirming the tax exempt status of loan interest hereunder.
- E. Resolution of the Borrower authorizing the Loan hereunder.

- F. The following additional documents which shall be in form and content satisfactory to Lender.
- (1) Current budget of the Borrower and of the Government of Guam.
 - (2) Copies of audited financial statements of the Borrower and of the Government of Guam for the three most recently concluded fiscal years.
- G. Appraisal in form and content satisfactory to Lender of the Guam Memorial Hospital facility.

OTHER CHARGES :

All of the Lender's out-of-pocket expense, including legal expense, in connection with the loan, and the arrangement of syndication for the loan shall be payable by the Borrower. Expenses may be charged against pledged collateral if not otherwise paid.

OTHER TERMS AND CONDITIONS :

- A. Enactment by the Guam Legislature of legislation in form and content acceptable to Lender, authorizing the borrowing hereunder, the Pledge and Assignment of Section 30 funds, the Pledge and Assignment of revenues, and the Mortgage upon the GMH facility as stipulated in this agreement hereunder.
- B. The Borrower and the Government of Guam shall each annually during the term of the loan submit an audited financial statement to Lender no later than nine (9) months after fiscal year-end.
- C. Borrower shall furnish to Lender quarterly not later than 30 days following end of each quarter, interim financial statements of the Borrower. The financial statements shall include such information as Lender may require. Additionally, Borrower shall furnish to Lenders on a monthly basis not later than 15 days following the conclusion of each calendar month, a monthly report showing on an aged basis outstanding accounts receivable, and a report on activities undertaken in the calendar month to collect overdue accounts receivable.
- D. A prepayment penalties will be assessed should the loan be paid off in the first five years. The penalty will be 1% of the principal loan amount, at the date of the payoff.

- E. If effect of any, or change in any, laws or regulations is to increase the cost to the Lender of advancing, maintaining, or funding this facility or to reduce the effective return to the Lenders, we reserve the right to require payment of such amounts as we consider necessary to compensate us for any increased costs.
- F. Waiver of immunity as to the Borrower and the Government of Guam and any other government entities involved in the loan from suit in relation to the loan.
- G. Hazard insurance will be maintained on all tangible property of GMHA, including improvements, equipment and furniture and fixtures, with an insurer acceptable to Lenders, and with Lender as loss payee in amount acceptable to Lender.
- H. In the event that prior to closing or loan disbursement hereunder lender determines that any information given to Lenders in connection with Borrower's application for this loan or in consideration of this loan and issuance of this commitment, whether concerning the Borrower, its financial condition, property, the Government of Guam, or property to be pledged hereunder is untrue in any material respect, or that there has been any material adverse change with respect to any of the foregoing, or law applicable to the Borrower or the collateral, Lender reserves the right to cancel this commitment.

In the term of this loan the Lender shall conduct periodic reviews of this loan, on an annual basis, or more frequent basis if Lender deems appropriate, and of the business and operations of the Borrower, its financial condition, and other matters pertaining to the loan and security of the loan. In the event Lender determines that there has been a material adverse change in Borrower's financial condition, the value or condition of any collateral for the loan, or that Borrower has failed to make satisfactory improvements in its financial condition, that there has occurred any default hereunder or under any other agreement or contract to which Borrower is a party, that there has been any material adverse change in law applicable to the Borrower or collateral or for any other reason Lender deems itself insecure, Lender shall be entitled to accelerate all sums

outstanding hereunder, and declare the same immediately due and payable.


**OTHER DOCUMENTS
REQUIRED**

Documents that may be required by the Lender or its counsel to govern the loan, the disbursement and application of funds thereunder, to perfect any security, to assure the Lender as to the enforceability and binding affect of the obligations of the Borrower with respect to the loan in form and content satisfactory to Lender and its counsel.

The above proposal will expire unless accepted, and the required documents are furnished on or before July 31, 1997.

Should you have any questions, please feel free to call the undersigned at 472-5273.

Sincerely,


William D. Leon Guerrero
Executive Vice President &
Chief Operating Officer

Accepted By:



Guam Memorial Hospital Authority

7/3/97

Date

GUAM MEMORIAL HOSPITAL AUTHORITY
850 Governor Camacho Road
Tamuning, Guam 96911

SCHEDULE OF DISBURSEMENTS:

Trade Payables, as of 06/30/97	\$3,526,794
Unbilled PO Receipts	1,325,228
Refinancing/Trust Account	2,518,578
Due to Retirement Fund	12,571,421
Due to Revenue and Taxation	7,741,780
MIP Advance from GovGuam	2,901,446

TOTAL**\$30,585,246**



DEPARTMENT OF ADMINISTRATION
(DIPATTAMENTON ATMENESTRASION)
DIRECTOR'S OFFICE
(UFISIÑAN DIREKTOT)

Post Office Box 884 ■ Agaña, Guam 96932
Tel.: (671) 475-1101/1250 ■ Fax: (671) 477-6788

CARL T.C. GUTIERREZ
Governor

MADELEINE Z. BORDALLO
Lieutenant Governor

July 22, 1997

The Honorable Anthony C. Blaz
Chairman, Committee on Finance and Taxation
Twenty-Fourth Guam Legislature
155 Hesler Place
Agana, Guam 96910

Dear Mr. Chairman:

Håfa Adai!

I welcome the opportunity to testify on Bill 308, an act to amend the approval process for the Guam Memorial Hospital Authority's (GMHA) borrowing of \$27 Million.

While there is almost certainly a history to the proposed amendments being considered today, the Department of Administration is not involved in the preparation or negotiation of the loan: yet, I believe the bill leaves vague whether or not the Legislature intends to shorten the process by striking the requirement for approval but then adding in subsection (4) the requirement to give the Legislature ten working days to act on the loan agreement.

I would encourage the Legislature to work vigorously with GMHA management to clarify the ambiguity and remove any possible impediment that lines 26 and 27 might create.

Si Yu'os Ma'åse'.

Sincerely,

MICHAEL J. REIDY
Acting Director



BUREAU OF BUDGET & MANAGEMENT RESEARCH

OFFICE OF THE GOVERNOR
Post Office Box 2550, Agaña, Guam 96910

CARL T.C. GUTIERREZ
GOVERNOR

JOSEPH E. RIVERA
DIRECTOR

MADELEINE Z. BORDALLO
LT. GOVERNOR

FRANCES J. BALAJADIA
DEPUTY DIRECTOR

AUG 1 1997

The Bureau requests that Bill No(s), 308(COR) be granted a waiver pursuant to

Public Law 12-229 for the following reasons:

Bill No. 308 is an Act to amend item (r) of Section 44 of Public Law 24-14 relative to the approval process of the \$27 Million loan of the Guam Memorial Hospital. The intent of the legislation is primarily to delete the clause "approved by the Guam Legislature" or "subject to approval by the Guam Legislature", wherever it is referenced, in order not to delay the processing of the loan for the GMH. Additionally, the amendment stipulates that the Guam Legislature has 10 working days to act on the loan agreement once it has been transmitted to the Legislative Secretary.

Francis Balajadia
for **JOSEPH E. RIVERA**
Acting *8/1/97*

8/1/97

